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CIA Oil Figures Raise Eyebrows Among Experts

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This is a story about the Central Intelligence Agency and the domestic energy policies of the American government.

It begins, in a public sense, last April, when President Carter revealed in a television appearance that he had received "disturbing" new findings about world energy supplies.

There is less oil and gas available in the world, he said, than the government had previously believed. It was therefore imperative that an energy bill be passed "to cut down the waste of energy."

His fears were underscored eight months later, on Christmas Day, when The New York Times reported that Saudi Arabia, with its oceans of oil, may have far less productive capacity than previously believed. This information, said the Times, came from "leading energy experts."

It was, in fact, the CIA which had raised the alarm about the Saudis, and it was the CIA that had provided Carter with the ammunition for his warning.

Carter acknowledged his debt to the CIA during his television appearance. In so doing, he also acknowledged the dependence of the White House and of Congress on the CIA in the formulation of domestic energy policies.

For good or ill, the CIA is the government's most important single source of international energy information, including estimates of how much is out there and how much is available to the United States.

This may seem both unfortunate and sinister to the agency's critics. It is an inevitable and sensible role for the agency in the minds of others, including the respected international energy expert at the Library of Congress, Herman Franssen.

"The CIA," he says, "probably has the best act in town. Nobody else can do it; the only other source would be the companies."

Energy Secretary James R. Schlesinger Jr. says the CIA's role in making estimates of foreign oil capacity in connection with the domestic energy plan

See CIA, A16, Col. 1

CIA, From A1

is to be expected. "given that the CIA has been at work for years on the question of estimating... the trends in foreign capacity and foreign intentions with regard to production."

"What falls outside of the traditional compass of the intelligence community is that this has gone public," Schlesinger says.

There is another question about the CIA and energy policy, however. It is directed at the agency's capabilities and the quality of its work.

Specifically, there is widespread doubt in the energy community about the validity of the CIA report cited by the president last April and about the CIA report cited by the Times in December.

The heart of the April report was a CIA prediction that the Soviet Union would be importing up to 3.5 million barrels of oil per day by the mid-1980s. Previously, the assumption had been that the Soviets would continue to be self-sufficient in meeting their oil and gas needs.

The CIA's revisionist analysis is now under serious challenge by West European intelligence agencies, by the Library of Congress, by a number of major oil companies, by the Soviets and, somewhat surprisingly, by Schlesinger.

The same is true of the revisionist analysis of the Saudi oil fields, prepared by the CIA's Bureau of Economic Research, classified secret and never released except in the form of a leak to The New York Times.

The response to the Times' version of the CIA's Saudi report has ranged from ridicule to astonishment. The critics include the State Department, the General Accounting Office, the Arabian American Oil Co. (Aramco), the Saudi government and, to a lesser extent, Schlesinger.

In summary, the CIA claimed that the Saudi oil fields were, in effect, wearing out, partly because of mismanagement, and that their ability to produce oil was far less than previously believed.

This revisionist conclusion may have been reflected in the unexplained gyrations that began appearing in December in the CIA's bi-weekly reports on world oil supplies.

In November, the agency estimated the productive capacity of the Saudi fields at 11.5 million barrels a day. In December, that estimate was cut to 10.5 million barrels. In January it was cut to 8.8 million barrels.

These vanishing millions of barrels of oil baffled consumers of the CIA's intelligence reports. They were further baffled in February, when the CIA again shifted gears and reported Saudi capacity at 10.5 million barrels.

This upward revision, according to Schlesinger, was "a result of certain articles in The Washington Post," articles that had reported the gyrations in the agency's estimates and had further reported that between November and February the CIA had lopped 5 million barrels a day off the "surplus production" capability of the 13 members of OPEC (Organization of Petroleum Exporting Countries).

The confusion sowed by all this in the international oil community carried a special irony, since that community is heavily populated with present and former CIA people.

They include:

- Schlesinger, a CIA director in the Nixon administration.

- Walter McDonald, former director of the CIA's energy analysis section, who is now a Schlesinger aide as deputy assistant secretary of energy for international affairs.

- Frank Pagnotta, another Schlesinger aide, who worked for the CIA's deputy director.

- Philip Woodside, the international oil specialist for the General Accounting Office, who spent more than a decade with the CIA as an oil analyst in the Middle East and Latin America.

- George W. Cave, the CIA station chief in Saudi Arabia, who is a former Aramco employee.

- Raymond H. Close, the former CIA station chief in Saudi Arabia, who retired from the agency last year and now works for the Saudis.

There are, in addition, scores of known or suspected CIA operatives, alumni and cooperators with an abiding interest in oil.

Two of the best known and most respected in international oil circles are Mike Ameen of the London office of the Mobil Oil Corp., and Jack Bridges, a former congressional aide who now works for the Saudis as director of the King Faisal Foundation with offices in Northern Virginia.

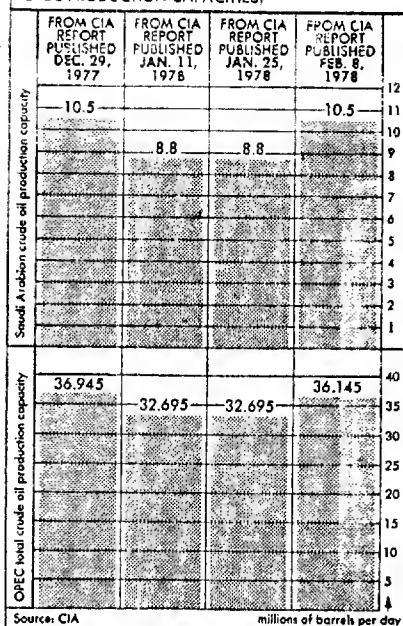
They ritually deny CIA ties, but there is no doubt that they have CIA contacts and intimate relationships with the Saudis.

This web of relationships is nothing new in the oil business. For years, the CIA and the international oil companies have worked closely together out of a community of interest.

Frank Jungers, board chairman of Aramco until last year, is candid on that point: "For years out there [in Saudi Arabia] we had a good relationship with the agency, partly because I thought it would make things easier."

CIA ADJUSTS ESTIMATES OF SAUDI OIL PRODUCTION

(TWO OF FOUR REPORTS, ISSUED IN 1977 AND 1978, SHOW UNDERESTIMATING OF SAUDI AND OPEC PRODUCTION CAPACITIES)



The Washington Post

He said the industry-wide practice was to maintain "liaison" with the CIA. But involvements sometimes were more direct. Ashland Oil, for example, said it was surprised to find some years ago that the CIA was using the company as a cover for an agent operating abroad.

The agency also maintains a network of clandestine contacts with foreign nationals operating state-run oil companies. It may be coincidence but the CIA compound in Saudi Arabia is located directly across the street from the Ministry of Petroleum and Minerals.

These contacts have paid off frequently.

Years before the Mexican government made public its extensive oil finds in Chiapas and Tabasco, the CIA circulated top-secret reports that Mexico was sitting on billions of barrels of oil. These reports grew out of contacts with Petrolous Mexicanos (Pemex), the state oil company.

With the rise of new technologies, the CIA has developed other information sources. Spy satellite systems track the movement of oil tankers, conduct aerial surveys, photograph drilling operations and collect geographic evidence of mineral and oil deposits. Its agents have also cooperated with the U.S. Geological Survey.

Then there is the time-honored drudge work, the collection of data from thousands of technical publications, newspapers, journals and radio broadcasts.

From all these sources—spies, friends, satellites and statistical tomes—come the special CIA studies and the biweekly energy estimates that are circulated to senior officials in the White House, the State Department, the National Security Council, the Energy and Treasury departments and congressional committees.

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This is the data that is crucial to government planning and domestic policymaking in the energy field.

The dependence on the CIA in these matters is reflected in the comment of an Energy Department official who concedes, "The department simply does not have the kind of people on hand to verify the CIA analysis."

It is reflected in a recent comment by CIA Director Stansfield Turner: "I'm just so proud of what we have contributed in the past nine months to the public debate on major issues." He was talking about energy.

"I intend to keep on with this program," he said. "I will be criticized sometimes for supporting the administration's policy and sometimes for not supporting it."

His agency's contribution to the "debate" on energy is correct in the sense he intended and in the narrower sense that a lot of the "debate" swirls around the accuracy of the CIA's Soviet and Saudi studies.

James Akins, the former U.S. ambassador to Saudi Arabia, is something of an energy expert himself. He is a former director of the State Department's Office of Fuels and Energy.

He describes the CIA's woeful analysis of the Saudi oil fields as "absolutely pernicious." What is more, he said, it "gives the Saudis the perfect excuse to cut production" at a time when U.S. officials are pressuring the Saudis to increase production capacity to avert a worldwide oil supply shortage in the next four or five years.

His skepticism grows, in part, out of a personal experience. While in the State Department some years ago, Akins says, he headed off a classified CIA report forecasting a world tanker shortage. He thought the analysis was questionable. Time proved him right. There is a glut of tankers in the world today, and tanker prices and shipping costs are at their lowest level in decades.

This skepticism infects the Saudis and the Americans who run their oil fields. Abdul Aziz Turki, the deputy petroleum minister, said, "We in the Ministry of Petroleum found no reason to reply to such reports because they are ridiculous and obviously untrue." The Saudi minister of planning, Hisham Nazer, laughed at the report, while sarcastically telling an American visitor, "How am I to say this is not true if it comes from your mighty CIA?"

The most rigorous dissent from the CIA's reported Saudi conclusions came from former CIA operative Philip Woodside, in a report for the GAO.

Woodside toured the Saudi fields in December, and upon his return reported that he found no uncommon problems, no evidence of mismanagement and no technical obstacles to much higher levels of production.

The CIA has not replied to these criticisms. It has not released its Saudi report or publicly acknowledged its existence. Schlesinger talks about the report with the caveat that what he is talking about is "hypothetical."

So the controversy over the report's

validity is one-sided and, in that circumstance, produces much speculation about the agency's motives and integrity.

In the past and in other areas of study, the CIA's reputation for objective and sensible analysis has been relatively good. But in this energy arena, charges are flying about the "political motivation" of the agency.

At the time the CIA's Saudi study was reported in the Times, Sen. Frank Church (D-Idaho) was accusing the agency—in another connection—of tailoring its facts to its needs.

"We found," he said, "that the CIA was reporting the facts that they wanted to find." On oil production, he said, the agency "tended to accept a level of production that they'd hoped for without weighing other information."

A more common allegation is that the agency has produced gloomy data to give political support to the Carter energy program.

Asked about the shifting view of Saudi production in the CIA report, an administration official said, "There is certainly a political element in it."

And there even have been suggestions that the agency downgrades the oil capacity of the Saudis in order to influence the three-pronged relationship between the United States, Israel and the Arabs.

No one has produced any evidence to support these allegations, and Schlesinger rejects them vehemently.

"That's ridiculous," he says. "In my experience I can recall only rare circumstances in which they deviated only slightly from what they regarded as the objective truth or could be referred to as [their having] political motivations. I just don't think that that's part of it. The agency can be wrong as everybody else in this area, but by and large they've done pretty good work."

What has changed, as Schlesinger has noted, is the public emergence of the CIA as a contributor to domestic policymaking in the field of energy. Its role in this area in the past was not talked about, and it was thus not a vulnerable target for examination.

That changed last April when President Carter waved the CIA report before the television cameras in support of his energy proposals.

He opened the question that has yet to be answered fully: how good are the CIA estimates?